

February 21, 1992 LB 1120

comes LB 1120 with a slightly different manner of dealing with depreciation. Instead of a surcharge on depreciation we are not allowing, other than the first \$100,000 of depreciation, to be an offset against state income tax. In essence we are taxing depreciation and not at a 2 percent level, but closer to a 7 percent level. And LB 1120, as it is currently written, contains...does not contain a relief for real estate owners, does not contain relief for motor vehicle owners and it should. These people are going to continue to pay their property taxes at the local level, and now we are going to not allow them to claim depreciation at the state level, in effect taxing this...this property, again at the state level. My original amendment, drafted in haste, dealt only with the tangible personal issue. My original amendment would have stricken the word "tangible", which means that the bill in its current form applies to all depreciation, that on real estate as well as personal property, and would have made it apply only to personal...made it apply only to personal property. Again, I didn't say...made the same mistake in reverse that the Legislature made last year. I did not include motor vehicles. Senator Kristensen brought that to my attention, and that is what his amendment does. Voting yes on this amendment will eliminate this unfair double taxation that's contained in LB 1120 on the depreciation of real estate and motor vehicles. With that, with that explanation, Senator Kristensen has a number of other things to say, and the remainder of his closing time...opening time is yielded back to him.

PRESIDENT MOUL: Senator Kristensen.

SENATOR KRISTENSEN: Thank you, Madam President, thank you, Senator Withem. Senator Withem I think accurately describes the problems that I see in the depreciation add-back area. This gets to be complicated to a certain degree, but there are some simple things. If you get confused, go back to this concept. Depreciation add-back is an income tax change. It is not a property tax change. There will be other discussions throughout this week, next week, about real property and depreciation in that system. Our system of state income tax is based on taxing net income. What is net income? You earn your income, you get to take off your expenses. And what remains from those expenses then becomes taxable, net income. What the depreciation add-back system does, however, is it changes the manner in which we tax, to a degree. The reason is one of those expenses you can take away from your gross income tax is depreciation. What